



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA

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Application of Southern California Edison)
Company (U 338-E) for a Commission Finding)
that its Procurement-Related and Other)
Operations for the Record Period January 1)
Through December 31, 2006 Complied with its)
Adopted Procurement Plan; for Verification of its)
Entries in the Energy Resource Recovery)
Account and Other Regulatory Accounts; and for)
Recovery of \$4.863 Million Recorded in Four)
Memorandum Accounts.)

Application 07-04-001
(Filed April 2, 2007)

REPLY BRIEF OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E)

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Dated: **October 24, 2007**

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STATE OF CALIFORNIA**

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REPLY BRIEF OF SOUTHERN CALIFORNIA EDISON COMPANY (U-338E)

Pursuant to the briefing schedule set forth in ALJ Patrick's September 24, 2006 Ruling on Submission of Proceeding for Decision (September 24th Ruling), Southern California Edison Company (SCE) hereby submits its reply brief in its April 2007 Energy Resource Recovery Account (ERRA) proceeding. This reply brief responds to the opening brief of the Division of Ratepayer Advocates (DRA), filed with the Commission on October 12, 2007. Specifically, SCE's reply brief addresses DRA's concern regarding the operation of the Palo Verde Nuclear Generation Station (Palo Verde) by the plant's licensed operator, Arizona Public Service (APS).

DRA has not recommended any disallowances in its opening brief. However, DRA does state that it "remains concerned about APS' ability to operate Palo Verde and the steps SCE is taking as co-owner to manage the risk that California ratepayers may need to pay for replacement power as a result of APS' mismanagement of Palo Verde."¹ DRA does not state in

¹ DRA Opening Brief at p. 2.

it opening brief why it believes APS is “mismanaging” Palo Verde and cites no evidence of mismanagement. Instead, DRA proceeds to recommend that the Commission “direct SCE to articulate in its next ERRR Application the specific steps SCE is taking to mitigate this risk.”² There is no need for the Commission to act on DRA’s request.

DRA’s recommendation ignores SCE’s written testimony regarding operations at Palo Verde. As noted in SCE’s rebuttal testimony, SCE’s ability as a co-owner to manage operations at Palo Verde is limited. SCE is not the licensed operating agent for Palo Verde. Only the licensed operator, APS, has authority to make operational decisions at the plant. While SCE can monitor APS’ actions, it has no authority to approve or disapprove APS’ operational decisions or direct APS to make different operational decisions. Nor should SCE have such authority. APS must have the ability to make quick decisions in response to emerging conditions that may have serious safety consequences at Palo Verde. This ability would be seriously jeopardized if APS had to obtain approval from SCE and the other co-owners for the operational decisions it must make at Palo Verde.³

SCE’s rebuttal testimony also explains that SCE cannot shorten the duration of an outage at Palo Verde in an effort to “maximize production” at the plant. SCE has no legal authority to interfere with decisions meant to ensure safe operations. These decisions are made by either APS or the Nuclear Regulatory Commission (NRC). Such an attempt by SCE would not only violate NRC regulations, it also would be highly irresponsible. Safety, not power production, is paramount at all nuclear power plants, including Palo Verde.⁴

Most importantly, DRA’s “concern” regarding “the risk that California ratepayers may need to pay for replacement power as a result of APS’ mismanagement of Palo Verde” is unfounded. DRA has not taken issue with APS’ actions in handling outages at Palo Verde during 2006, which were discussed in detail in SCE’s testimony and data request responses, and

² *Id.* at pp. 2 and 3.

³ *See* SCE Exhibit 4 at p. 14, lns. 9-19.

⁴ *Id.* at p. 14, ln. 21 – p. 15, ln. 22.

which DRA ultimately agreed were reasonable. Instead, DRA's safety concerns appear to be based on safety issues raised in the NRC's annual assessment letter of March 7, 2007. However, none of the safety issues raised in the NRC's March 7 letter had any impact on the existence or duration of any outage at any of the Palo Verde units during 2006. The NRC's issues therefore had no impact on the amount or cost of replacement power that SCE purchased. This issue was fully addressed in SCE's rebuttal testimony.⁵

When an outage does occur at Palo Verde, SCE keeps its replacement power costs reasonable by obtaining power at market prices.⁶ SCE also monitors APS' actions in dealing with the root cause of outages and makes recommendations for prospective improvements when necessary.⁷ This is how SCE protects its ratepayers. However, SCE does not have the authority to make operational decisions at Palo Verde because SCE is not the plant's licensed operator. Because SCE lacks operational authority, the Commission should not direct SCE to detail the "specific steps" it has taken to "manage" the operational risks at Palo Verde.

Respectfully submitted,

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⁵ *Id.* at p. 16, lns. 3-21.

⁶ *See* SCE Exhibit 4, Confidential Version, Appendix A.

⁷ *Id.* at p. 13, ln. 10 – p. 14, ln. 19.

CERTIFICATE OF SERVICE

I hereby certify that, pursuant to the Commission's Rules of Practice and Procedure, I have this day served a true copy of the **REPLY BRIEF OF SOUTHERN CALIFORNIA EDISON COMPANY (U-338E)** on all parties identified on the attached service list(s). Service was effected by one or more means indicated below:

Transmitting the copies via e-mail to all parties who have provided an e-mail address.
First class mail will be used if electronic service cannot be effectuated.

Executed this **24th day of October, 2007**, at Rosemead, California.

/s/ Christina A. Sanchez
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